Concordia University

Board of Governors

Concordia Employee Benefits Committee

Meeting of March 29th 1978

Attendance: Mr. H. Hemens, Chairman, Mr. E.A. Lemieux, Prof. C. Goldman, Prof. A. Dickie, Mr. W.M. Reay, Mr. P. Gore, Prof. G. Martin, Mr. C. Waters, Miss M.D. Johnson, Messrs. Brochu and Morency of William M. Mercer Ltd.

Minutes of February 8th 1978

It was proposed by Professor Dickie, seconded by Professor Martin and unanimously carried that the minutes of the February 8th 1978 meeting be approved as circulated.

Pension Fund Investment

The discussion opened on the two proposals made by Professor Goldman in his memorandum dated February 13th 1978 (appendix "A") attached.

Professor Goldman expressed the opinion that the performance of equities had been abysmal in the past few years and that it would not likely improve in the next two or three years indicating that the pension fund should divest itself of equity holdings.

He added that a review should be made of all existing holdings to see if they will produce the necessary income to fund the pensions promised by the plan.

Mr. Hemens suggested that each of Professor Goldman's proposals be discussed separately.

Motion I item I

Mr. Brochu made the observation that benefits were based on future salaries as much as 30 or more years into the future. As salary increases are closely related to the increases in the rate of inflation, it would appear important to use an investment vehicle which would follow this rate as closely as possible.

He remarked that:

1 The need is long term
2 The sources of money are:
- investment return
- contributions (higher or lower than current depending on investment return)

(.../2)

It became a question, therefore, of judging what would be the best kind of hedging investment. The last 15 years had not been good; on the other hand, had a fund taken a strong position in long term debt issues in 1965 at the, then high, rates of 5-6%, it would find itself in poor shape today.

He added that studies on a long term basis of 40 or 50 years have shown that equities have outperformed debt issues historically. The problem is that no one can be sure whether this situation will prevail in the future or whether the stock market is changing its behaviour pattern.

Mr. Hemens commented that to the best of his knowledge, no pension funds were completely free of equity holdings. He added that unless some substitute was found, equity would continue to exist.

Mr. Lemieux commented that no investment policy is good for all times. For example, to have bought heavily into bonds twenty years ago, would have locked the fund into a 3-4% rate of return.

He added that within the fifty years during which equities outperformed, conditions were very different from current in such areas as fiscal legislation, inflation etc. Good performance in the equity field appeared to be made by corporations with new technology; small innovative companies which are not ferreted out by investment counsel.

It was agreed that it would be unwise to take a firm position for too long a period, the committee therefore approved the following:

" Resolved that McLean Budden make no more purchases of equity until further notice from the Committee, that the matter come under further review in the latter part of April when McLean Budden would make its quarterly report."

Motion I item 2

The Committee generally agreed that occurrence of market "pick-up" was a very difficult phenomenon to determine. Selling of equities at the sign of a market recovery could be an unwise decision. Professor Dickie commented that if the market did show signs of recovery, that purchase of stock rather than sale would be the appropriate course of action. It was agreed that this item would be discussed at the next meeting with McLean Budden.

Motion I item 3

It was agreed that item 3 would be modified as follows:

" Resolved that McLean Budden restrict all fixed income purchases to that of short term investments until further notice from the Committee and that the matter be reviewed in late April at a meeting during which McLean Budden would be present."

(.../3)

Motion II

Mr. Hemens asked what was the difference between the annual valuation performed by the actuaries and the analysis proposed in Professor Goldman's memorandum.

Mr. Brochu replied that the study proposed by Professor Goldman could go further than the evaluation. It would take into account:

- short term cash requirements as opposed to long term liquidity
- short term inflation rates
- use of a range of assumptions for inflation interest etc.

He commented that the Pension Fund was new with a high positive cash flow and that it would be several years before this situation would change.

Mr. Hemens commented that such information could be essential to wisely instruct investment counsel.

Mr. Brochu added that he would examine the possibility of such a study at the time Mercers will be preparing the plan valuation. At that time he would present a concrete proposal to the Committee.

The meeting terminated at 2.10 p.m.

Colin Waters, Secretary